Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **Am. H.B. 295** DATE: **April 16, 2008**

STATUS: **As Reported by Senate Energy and Public Utilities** SPONSOR: **Rep. Wagoner**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **To modify cost, financing, and other requirements for county-funded energy conservation projects**

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
Counties			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Potential increase in acquisition costs	Potential increase in acquisition costs	Potential increase in acquisition costs, potentially offset by lower energy costs

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- By expanding the definition of "energy conservation project," the bill would allow counties to acquire, construct, modify, or otherwise improve power plants that provide heating and cooling to county buildings.

- The bill allows energy conservation projects to be financed over a longer term than the ten years allowable under current law. The bill lengthens the financing term to the lesser of 30 years or the average life expectancy of the proposed energy conservation measures. Given the longer financing term, this could lead counties to pursue a greater number of energy conservation projects, or perhaps more expensive projects.

- While counties could incur greater bond financing costs, there would presumably be energy cost savings in the long term.

- The bill requires that proposed county energy conservation projects undergo certain evaluation criteria and that an analysis of these projects be prepared and reviewed by specified experts. These additional requirements may result in increased administrative costs.

Detailed Fiscal Analysis

Modified definition of "energy conservation measure"

The bill adds as an energy conservation measure the acquiring, constructing, furnishing, equipping, improving the site of, and otherwise improving a central utility plant to provide heating and cooling services to a building or buildings together with distribution piping and ancillary distribution controls, equipment, and related facilities. As a concrete example, this would allow Lucas County to acquire a central utility plant that would serve the power needs of nine county buildings.

Changes in project financing terms

Among other changes with a fiscal effect, the bill requires that the amount spent by a county on energy conservation measures be unlikely to exceed the amount saved in energy, operating, maintenance, and avoided capital costs over the measures' average system life. Concerning arrangements for financing such projects, the bill requires that the interest charges and financing terms for an energy conservation contract be (1) not less than a specified percentage of the contract costs, as determined by the Board of County Commissioners, and (2) be paid within two years from the purchase date, with the remaining balance paid within the lesser of 30 years or the average system life of the equipment installed. In all, these parameters would limit the scope and cost of energy conservation projects that a county might consider. Presumably, a county would determine that the percentage of contract costs due within a two-year period would be such that there would be sufficient revenue to make the payments.

New requirements for energy conservation reports

The bill also requires that energy conservation reports, which are used to substantiate the need for and evaluate the cost and benefits of proposed energy conservation projects, also include the interest rates used to estimate an energy conservation measure's costs, the measure's average system life, estimates of the likely savings, and a certification that the report uses reasonable analyses and estimation methods. These changes might add minimally to the administrative costs involved with producing these reports and contracting for these projects.

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